

UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
ROCKY MOUNTAIN REGION
Loveland Area Projects

ENERGY IMBALANCE SERVICE

Applicable

This rate applies to all customers receiving Energy Imbalance Service from the Rocky Mountain Region=s Western Area Colorado Missouri Balancing Authority (WACM).

WACM provides Energy Imbalance Service when there is a difference between a Customer's (Loveland Area Projects Transmission Customers and customers on others' transmission systems within WACM) resources and obligations. Energy Imbalance is calculated as resources minus obligations (adjusted for transmission and transformer losses) for any combination of scheduled transfers, transactions, or actual load integrated over each hour. Customers within WACM must either obtain this service from WACM or make alternative comparable arrangements to satisfy their Energy Imbalance Service obligation.

Effective

The first day of the first full billing period beginning on or after March 1, 2004, through February 28, 2009.

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SCHEDULE 4 to Tariff
October 1, 2006**

Formula Rate:

All Energy Imbalance Service provided, both inside and outside the bandwidth, will be settled financially and accounted for hourly at the end of each month. WACM will establish a deviation band of ± 5 percent (with a minimum of 4 MW) of the actual load to be applied hourly to any energy imbalance that occurs as a result of a Customer=s schedules and/or meter data.

Normally, there are four scenarios for Energy Imbalance Service. They are:

- 1) over delivery within the bandwidth; 2) under delivery within the bandwidth;
- 3) over delivery outside the bandwidth; and 4) under delivery outside the bandwidth.

During periods of Balancing Authority operating constraints, Western reserves the right to eliminate credits for over deliveries. Parties over or under delivering may share in the cost to Western of any penalty.

Within the Bandwidth

The gross energy imbalance for each applicable entity within WACM shall be totaled and netted to determine an aggregate energy imbalance for WACM. The sign of the aggregate energy imbalance will determine whether sale or purchase pricing will be used (surplus conditions use sale pricing and deficit conditions use purchase pricing).

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Depending upon the sign of the aggregate energy imbalance for all entities within WACM, the pricing for charges and credits within the bandwidth will be the weighted average real-time sale or purchase price.

Outside the Bandwidth

Each entity within WACM will be charged or credited independently for Energy Imbalance Service taken, depending on its over or under delivery status.

Under Delivery (customer deficit) = Customer will be charged 125 percent of the weighted average real-time purchase price.

Over Delivery (customer surplus) = Customer will be credited 75 percent of the weighted average real-time sale price.

Expansion of the bandwidth will be allowed during the following instances:

- The loss of a physical resource.
- Upon evidence of proven frequency bias contribution for Balancing Authority needs.
- The transition (start up/shut down) period for large generating resources.

Jointly-Owned Generation or Generation without Designated Load

For jointly-owned generators and any other generators within the Balancing Authority without designated load, the bandwidth established for Energy Imbalance Service will be ± 2 percent of the actual hourly generation output of the units at issue. The charges or credits for Energy Imbalance Service will be assigned to the operating agent of the generator, unless WACM is provided with a copy of a signed agreement

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from all of the owners designating a specific methodology to allocate among owners and entitlees. Western reserves the right to refuse a designation that does not provide for the full and accurate recovery of all generator energy imbalances existing among owners and/or entitlees. The generator owners will be responsible for proper tagging and scheduling of the generation to ensure that the Energy Imbalance Service is assigned accurately.

Pricing Defaults

When no hourly data is available, the pricing defaults for sales and purchase pricing both within and outside the bandwidth will be applied in the following order:

1. Weighted average real-time sale or purchase pricing for the day
(on and off peak).
2. Weighted average real-time sale or purchase pricing for the month
(on and off peak).
3. Weighted average real-time sale or purchase pricing for the prior month.
4. Weighted average real-time sale or purchase pricing for the month prior
to the prior month (and continuing until sale or purchase pricing is
located) (on and off peak).

Rate

This bandwidth applicable to load is in effect October 1, 2006, through September 30, 2007, and is \pm 5 percent of hourly actual load, with a 4 MW minimum deviation.

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The bandwidth applicable to jointly owned generators or generators without designated load is in effect October 1, 2006, through September 30, 2007, and is ± 2 percent of hourly actual generation, with a 4 MW minimum deviation.

The pricing and penalty for deviations inside and outside the bandwidth is described above.